



## Senate

General Assembly

**File No. 240**

January Session, 2009

Substitute Senate Bill No. 379

*Senate, March 26, 2009*

The Committee on Planning and Development reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### ***AN ACT ESTABLISHING A LAND VALUE TAXATION PILOT PROGRAM.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective from passage*) (a) The Secretary of the  
2       Office of Policy and Management shall establish a land value taxation  
3       pilot program in a single municipality. To be eligible for the program a  
4       municipality shall (1) be a distressed municipality, as defined in  
5       subsection (b) of section 32-9p of the general statutes; (2) have a  
6       population of not more than twenty-six thousand; and (3) have a city  
7       manager and city council form of government. The secretary shall  
8       establish an application procedure and any other criteria for the  
9       program. The secretary shall not select a municipality to participate in  
10      the pilot program unless the legislative body of the municipality has  
11      approved the application. The secretary shall send a notice of selection  
12      for the pilot program to the chief executive officer of the municipality.

13      (b) By ordinance adopted by its legislative body, a municipality

14 selected for the program, notwithstanding the provisions of subsection  
 15 (b) of section 12-62a of the general statutes, may (1) classify real estate  
 16 as (A) land or land exclusive of buildings, or (B) buildings on land; and  
 17 (2) establish a different rate of property tax for each class, provided the  
 18 higher rate shall apply to land or land exclusive of buildings. Such  
 19 ordinance shall be adopted not more than one year after receipt of the  
 20 notice of selection provided by the Secretary of the Office of Policy and  
 21 Management under subsection (a) of this section. The municipality  
 22 shall send a copy of the ordinance to the secretary.

23 (c) The Secretary of the Office of Policy and Management shall  
 24 establish criteria for submission to said secretary of periodic reports  
 25 from the selected municipality on implementation of the pilot  
 26 program.

27 (d) The pilot program shall terminate five years after the effective  
 28 date of the ordinance adopted under subsection (b) of this section.

29 (e) The Secretary of the Office of Policy and Management shall  
 30 submit a report to the joint standing committee of the General  
 31 Assembly having cognizance of matters relating to planning and  
 32 development on progress of the program on or before January 15,  
 33 2010, and annually thereafter, until termination of the program under  
 34 subsection (d) of this section. Such report shall be submitted in  
 35 accordance with the provisions of section 11-4a of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

**Statement of Legislative Commissioners:**

In section 1, the provision formerly in subsec. (a) re periodic reports was moved and designated as subsec. (c) for clarity.

**PD**            *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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### ***OFA Fiscal Note***

#### ***State Impact:***

Agency Affected	Fund-Effect	FY 10 \$	FY 11 \$
Policy & Mgmt., Off.	GF - None	None	None

Note: GF=General Fund

#### ***Municipal Impact:***

Municipalities	Effect	FY 10 \$	FY 11 \$
New London	See Below	See Below	See Below

### ***Explanation***

There is no cost to the Office of Policy and Management to approve a municipality's participation in the land value taxation pilot program. It is anticipated that the only municipality currently eligible to participate, New London, will only do so to the extent it provides adequate resources to the municipality.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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**OLR Bill Analysis****sSB 379*****AN ACT ESTABLISHING A LAND VALUE TAXATION PILOT PROGRAM.*****SUMMARY:**

This bill allows a municipality to tax land at a higher rate than buildings (i.e., land value taxation) on a pilot basis. The municipality must meet the bill's narrow criteria and apply to the Office of Policy and Management (OPM) secretary for approval. The authorization to levy the land value tax ends five years after the municipality adopted the implementing ordinance the bill requires. The secretary must annually report to the Planning and Development Committee about the status of the land value tax beginning January 15, 2010.

EFFECTIVE DATE: Upon passage

**LAND VALUE TAX**

Under current law, municipalities must tax land and any improvements made to the land (e.g., buildings) at the same rate. The bill allows a municipality to tax land at a higher rate than buildings on a pilot basis. The municipality choosing to tax real estate in this manner must adopt an ordinance dividing real estate into two classes: (1) land or land exclusive of buildings and (2) buildings on land. It must set a different tax rate for each class, with the rate on land higher than the rate on buildings and other improvements.

**ELIGIBILITY CRITERIA**

The bill allows only one municipality to levy the land value tax. A municipality is eligible to levy this tax if it is a state-designated distressed municipality with up to 26,000 people and has a city manager and city council form of government. (New London is the

only municipality that meets these criteria.)

### **APPLICATION PROCESS**

A municipality must apply to the OPM secretary for approval to levy the land value tax. The secretary must specify the application procedure and any other criteria besides those the bill establishes. He may select an eligible municipality if its legislative body approved the application. If the application is in order, he must notify the municipality's chief executive officer about whether he approved it.

If the secretary approves the application, the municipality must adopt an ordinance implementing the land value tax within one year of the secretary's notice. It must send him a copy of the ordinance. The municipality must also send the secretary periodic reports about the program. The program expires five years after the municipality adopts the ordinance levying the tax.

### **COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable

Yea    20    Nay   0    (03/06/2009)